

**Region XII Council of Governments, Inc.  
and Affiliated Organizations  
Carroll, Iowa**

**Independent Auditor's Reports  
Financial Statements and Supplemental Information  
Schedule of Findings and Questioned Costs**

**June 30, 2006 and 2005**

# TABLE OF CONTENTS

		<u>Page</u>
Board of Directors, Policy Council, and Officers		3
Independent Auditor's Report		4
Combined Financial Statements:		
	<u>Exhibit</u>	
Combined Statements of Financial Position	A	6- 7
Combined Statements of Activities	B	8- 9
Combined Statements of Functional Expenses	C	10-11
Combined Statements of Cash Flow	D	12
Notes to Financial Statements		13-24
<u>Supplemental Information:</u>		
	<u>Schedule</u>	
Combined Statements of Financial Position- Program Funds	1	26
<u>Schedule of Revenues and Expenses:</u>		
Local Funds	2	27
Administrative Funds	3	28-29
Community Development Block Grant & HOME Loans	4	30
Hazard Mitigation Plans	5	31
Transit Programs	6	32
Workforce Development Programs	7	33-34
Workforce Development Program-Promise Jobs	8	35
Housing Preservation Program	9	36
Economic Development Planning Grant	10	37
Juvenile Justice Youth Development	11	38
Lead Base Paint Inspection and Poisoning Prevention	12	39
Partnership for Families Empowerment Area	13	40
Western Iowa Advantage Partners	14	41
<u>Affiliated Organizations:</u>		
Council of Governments Housing, Inc.	15	42
Region XII Development Corporation, Inc.	16	43
Schedule of Expenditures of Federal Awards	17	44
<u>Schedule of Completed Programs:</u>		
Workforce Development Programs	18	46
Local Housing Assistance Program	19	47
Juvenile Justice Youth Development	20	48
RTS Certification by Independent Auditor		49
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting		50-51
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over compliance		52-53
Schedule of Findings and Questioned Costs		54

REGION XII COUNCIL OF GOVERNMENTS, INC.  
BOARD OF DIRECTORS AND OFFICERS

<u>Name</u>	<u>Title</u>	<u>County Represented</u>
-------------	--------------	---------------------------

Executive Board Members

Neil Trobak	Chairperson	Carroll
LaVerne Deist	Vice Chairperson	Audubon
Jack Bensley	Secretary	Sac
Guy Richardson	Treasurer	Greene
Jerome Caraher	Board Member	Guthrie
Robert Lohrmann	Board Member	Crawford

Policy Council Members

Jay Dee Mendenhall	Board Member	Audubon
Vernon Venteicher	Board Member	Audubon
Gene Karstens	Board Member	Audubon
Del McDermott	Board Member	Carroll
Neil Bock	Board Member	Carroll
Cindy Fay	Board Member	Carroll
Mary Lou Kraus	Board Member	Crawford
Erasmo Lopez	Board Member	Crawford
Loren Schultz	Board Member	Crawford
Terry Adams	Board Member	Greene
Duane Larson	Board Member	Greene
Katie Towers	Board Member	Greene
Sue Cosner	Board Member	Guthrie
Dennis Kunkle	Board Member	Guthrie
Luann Waldo	Board Member	Guthrie
Frank Koth	Board Member	Sac
Joan Godbersen	Board Member	Sac
Karen McCrea	Board Member	Sac

Region XII Council of Governments, Inc. Officers

Richard Hunsaker	Executive Director
Joe Behrens	Local Assistance Director
James Burns	Transit Director
Kathleen Pauli	Fiscal Officer II

In January of each year, each member of the County Board of Supervisors shall appoint or reappoint three local elected officials or persons responsible to local elected officials to serve at least one year as their County COG representative. One of the three shall be designated Chairperson of that group and shall be designated an officer candidate and member of the COG Executive Board. The Executive Board shall appoint a fourth member from each county to serve on the policy council.

# John D. Morrow

Certified Public Accountant

Member  
Iowa  
Society

P O Box 400  
109 Main Street  
Wall Lake, Iowa 51466-0400

413 Ash Avenue  
Ames, Iowa 50014

Phone: (712) 664-2891

FAX: (712) 664-2717

Cell: (712) 830-3121

Email: [morrowjd@netins.net](mailto:morrowjd@netins.net)

Certified Public Accountants

December 6, 2006

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

I have audited the accompanying combined financial statements, listed as exhibits in the table of contents of this report, of Region XII Council of Governments, Inc. (COG), its wholly controlled affiliated organizations, Council of Governments Housing, Inc. and Region XII Development Corporation, Inc., Carroll, Ia, as of and for the years then ended June 30, 2006 and 2005. These combined financial statements are the responsibility of the COG's management. My responsibility is to express an opinion on these combined financial statements based on my audit.

I conducted the audit in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Region XII Council of Governments, Inc., its wholly controlled affiliated organizations, Council of Governments Housing, Inc. and Region XII Development Corporation, Inc., as of and for the years ended June 30, 2006 and 2005, and the results of its operations, changes in net assets, and cash flow in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my reports dated December 6, 2006, on my consideration of Region XII Council of Governments, Inc., its wholly controlled affiliated organizations, Council of Governments Housing, Inc. and Region XII Development Corporation, Inc.'s, internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

The audit was performed for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental information included in Schedules 1 through 20, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analyses and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned combined financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

## COMBINED FINANCIAL STATEMENTS

REGION XII COUNCIL OF GOVERNMENTS, INC.  
COMBINED STATEMENTS OF FINANCIAL POSITION  
June 30, 2006 and 2005

	Region XII Council of Governments	Affiliated Organizations Council of Governments Housing	Region XII Development Corporation
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 2,523,881	\$ 44,481	\$ 538,507
Receivables:			
Grantor agencies	152,621	0	0
Other sources	345,331	0	40,000
Other funds	482,208	0	0
Prepaid expense	13,795	0	0
Total Current Assets	<u>3,517,836</u>	<u>44,481</u>	<u>578,507</u>
PROPERTY AND EQUIPMENT			
Land & building	1,579,355	0	0
Vehicles	1,933,580	0	0
Office equipment	316,989	0	0
Spec houses for resale	0	217,355	0
	<u>3,829,924</u>	<u>217,355</u>	<u>0</u>
Less accumulated depreciation	<u>1,456,230</u>	<u>0</u>	<u>0</u>
	<u>2,373,694</u>	<u>217,355</u>	<u>0</u>
OTHER ASSETS			
Receivable from future claims or reimbursements	379,195	0	0
Housing program loans	2,459,832	155,591	0
Business enterprise loans	<u>0</u>	<u>0</u>	<u>1,593,262</u>
	<u>\$ 8,730,557</u>	<u>\$ 417,427</u>	<u>\$ 2,171,769</u>
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Accounts payable	\$ 88,198	\$ 5,860	\$ 1
Notes payable	312,500	0	0
Current portion of long-term debt	6,000	0	19,863
Accrued payroll and benefits	16,964	0	0
Accrued annual leave payable	67,994	0	0
Due to other funds	224,820	217,336	40,052
Deferred Revenue	79,967	0	0
Capital match deposits	35,822	0	0
Total current liabilities	<u>832,265</u>	<u>223,196</u>	<u>59,916</u>
LONG TERM LIABILITIES			
Note payable	12,000	0	748,886
NET ASSETS			
Unrestricted Net Assets			
Unreserved net assets	2,891,500	( 178,715)	538,454
Health insurance reserve	161,266	0	0
Reserve for loans	2,459,832	155,591	824,513
Investment in property and equipment	2,373,694	217,355	0
Temporarily Restricted Net Assets	0	0	0
Permanently Restricted Net Assets	<u>0</u>	<u>0</u>	<u>0</u>
	<u>7,886,292</u>	<u>194,231</u>	<u>1,362,967</u>
	<u>\$ 8,730,557</u>	<u>\$ 417,427</u>	<u>\$ 2,171,769</u>

See accompanying Notes to Financial Statements.

Exhibit A

## Total Columns (Memorandum Only)

June 30, 2006      June 30, 2005

\$ 3,106,869      \$ 2,938,679

152,621      187,939

385,331      274,712

482,208      191,808

13,795      4,8664,140,824      3,598,004

1,579,355      1,579,355

1,933,580      1,605,532

316,989      301,706

217,355      0

4,047,279      3,486,593

1,456,230      1,448,0002,591,049      2,038,593

379,195      283,397

2,615,423      2,538,855

1,593,262      1,202,938\$ 11,319,753      \$ 9,661,787

\$ 94,059      \$ 127,410

312,500      166,300

25,863      25,666

16,964      96,825

67,994      74,186

482,208      191,808

79,967      215,894

35,822      89,0241,115,377      987,113

760,886      578,717

3,251,239      2,792,444

161,266      108,095

3,439,936      3,156,825

2,591,049      2,038,593

0      09,443,490      \$ 8,095,957\$ 11,319,753      \$ 9,661,787

REGION XII COUNCIL OF GOVERNMENTS, INC.  
COMBINED STATEMENTS OF ACTIVITY  
Year ended June 30, 2006 and 2005

	Region XII Council of <u>Governments</u>	<u>Affiliated Organizations</u> Council of Governments <u>Housing</u>	Region XII Development <u>Corporation</u>
Revenues:			
Governmental funding sources:			
Iowa Dept. of Transportation	\$ 1,114,253	\$ 0	\$ 0
Iowa Dept. of Economic Develop.	134,375	0	0
Iowa Workforce Development	504,708	0	0
U.S. Dept. of Commerce	51,000	0	0
U.S. Dept. of Agriculture	30,956	0	208,000
Federal Emergency Management Agency	50,037	0	0
Dept. of Housing & Urban Development	742,450	0	0
Iowa Dept. of Human Services	214	0	0
Iowa Dept of Human Rights	4,210	0	0
Iowa Dept. of Management	0	0	0
Iowa Dept. of Public Health	3,150	0	0
Iowa Dept. of Education	1,306	0	0
Elderbridge Agency on Aging	35,500	0	0
United Way	4,500	0	0
Public support & contributions	1,941,045	16,449	184,513
Matching funds	266,331	2,892	100,000
Interest income	149,516	3,245	92,816
Other revenues	37,275	0	0
Investment in property & equip.	<u>547,652</u>	<u>0</u>	<u>0</u>
Total Revenue	<u>5,618,478</u>	<u>22,586</u>	<u>585,329</u>
Expenses:			
Local Administrative Funds	892,186	0	0
CDBG and Home Housing Funds	749,269	0	0
Hazard Mitigation Plans	46,960	0	0
Rural Transit System	2,076,123	0	0
Workforce Development	504,708	0	0
Rural Community Dev. Incentive	0	0	0
Housing Preservation Grant	36,282	0	0
Economic Development Planning	68,295	0	0
Acquisition/Demolition/New Const.	0	0	0
Decategorization programs	0	0	0
Juvenile Justice Youth Dev.	4,210	0	0
Lead Base Paint & Lead Poisoning	17,595	0	0
Partnership 4 Families Empowerment	46,620	0	0
Western Iowa Advantage Partners	155,568	0	0
Council of Governments-Housing	0	205,901	0
Region XII Development Corp.	0	0	643,369
Depreciation	<u>212,552</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>4,810,368</u>	<u>205,901</u>	<u>643,369</u>
Revenue over (under) expenses	808,110	(183,315)	( 58,040)
Beginning of year	<u>2,119,262</u>	<u>4,600</u>	<u>596,494</u>
Total (Memorandum Only)	\$ <u>2,927,372</u>	\$ <u>(178,715)</u>	\$ <u>538,454</u>
Recap of Total (Memorandum Only)			
Receivable from future claims	\$ ( 379,195)	\$ 0	\$ 0
Deferred revenue	\$ 79,967	\$ 0	\$ 0
Net Assets	\$ 2,891,500	\$ (178,715)	\$ 538,454
Plant Fund	\$ 335,100	\$ 0	\$ 0

See accompanying Notes to Financial Statements.



Exhibit B

## Total Column (Memorandum Only)

<u>June 30, 2006</u>	<u>June 30, 2005</u>
\$ 1,114,253	\$ 753,504
134,375	59,375
504,708	508,160
51,000	51,000
238,956	174,241
50,037	0
742,450	0
214	83,660
4,210	27,367
0	73,250
3,150	1,050
1,306	411,232
35,500	35,500
4,500	4,500
2,142,007	2,622,128
369,223	213,632
245,577	182,669
37,275	18,187
<u>547,652</u>	<u>171,230</u>
<u>6,226,393</u>	<u>5,390,685</u>
892,186	1,819,180
749,269	0
46,960	0
2,076,123	1,516,867
504,708	508,160
0	87,479
36,282	69,679
68,295	68,000
0	42,237
0	7,890
4,210	27,367
17,595	12,038
46,620	505,073
155,568	0
205,901	140,168
643,369	310,537
<u>212,552</u>	<u>183,168</u>
<u>5,659,638</u>	<u>5,297,843</u>
566,755	92,842
<u>2,720,356</u>	<u>2,620,161</u>
\$ <u>3,287,111</u>	\$ <u>2,713,003</u>
\$ ( 379,195)	\$ ( 283,397)
\$ 79,967	\$ 215,894
\$ 3,251,239	\$ 2,792,444
\$ 335,100	\$ ( 11,938)

REGION XII COUNCIL OF GOVERNMENTS, INC.  
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2006 and 2005

	Region XII Council of Governments	<u>Affiliated Organizations</u> Council of Governments Housing	Region XII Development Corporation
Salaries & wages	\$ 667,153	\$ 1,173	\$ 22,402
Employee benefits	196,254	461	6,440
Advertising & marketing	6,327	1	38
Accounting & legal	20,698	413	1,341
Insurance	18,297	34	621
Contracted services	431,303	203,260	2,409
Fees, dues & subscriptions	10,361	10	486
Postage	12,438	51	274
Printing	613	1	15
Rent	38,248	96	1,767
Telephone	18,561	17	288
Travel	58,945	84	1,704
Utilities	25,640	24	424
Office expense	34,866	217	1,240
Equipment maintenance	3,801	9	164
Equipment rental	14,952	30	593
Facility maintenance	7,702	13	324
Board expense	6,043	6	1,777
Registration fees	5,346	1	92
Drivers' wages & benefits	781,116	0	0
Vehicle fuel & other costs	279,618	0	0
Vehicle insurance	76,729	0	0
Purchased services	104,200	0	0
Participant loans & grants	898,103	0	595,134
Program fund expense	81,714	0	0
Participant support	119,055	0	0
Plant, property, & equipment purchases	586,155	0	0
Loan principal payments	19,634	0	0
Interest	4	0	5,836
Matching funds expended	73,940	0	0
Depreciation	<u>212,552</u>	<u>0</u>	<u>0</u>
Total Expenses	\$ <u>4,810,368</u>	\$ <u>205,901</u>	\$ <u>643,369</u>

See accompanying Notes to Financial Statements.

Total Column (Memorandum Only)  
June 30, 2006      June 30, 2005

\$ 690,728	\$ 749,805
203,155	222,643
6,366	7,554
22,452	17,171
18,952	19,516
636,972	577,935
10,857	11,317
12,763	12,651
629	1,027
40,111	44,235
18,866	18,973
60,733	61,254
26,088	22,569
36,323	34,345
3,974	4,524
15,575	23,202
8,039	8,944
7,826	6,727
5,439	4,171
781,116	720,656
279,618	231,140
76,729	70,120
104,200	112,180
1,493,237	1,556,185
81,714	1,715
119,055	169,947
586,155	191,913
19,634	0
5,840	5,918
73,940	206,338
<u>212,552</u>	<u>183,168</u>
\$ <u><u>5,659,638</u></u>	\$ <u><u>5,297,843</u></u>

Exhibit DREGION XII COUNCIL OF GOVERNMENTS, INC.  
COMBINED STATEMENTS OF CASH FLOW  
Year Ended June 30, 2006 and 2005

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Resources Provided (Used) By:		
Cash Flow from Operating Activities:		
Revenue over expenses	\$ 566,755	\$ 92,842
Items not requiring outlays of cash:		
Depreciation	212,552	183,168
Change in Operating Assets & Liabilities:		
Accounts receivable	( 75,301)	( 51,172)
Prepaid expenses	( 8,929)	( 258)
Accounts payable	( 33,351)	20,463
Accrual payroll and benefits	( 79,861)	19,849
Accrual annual leave	( 6,192)	4,061
	<u>575,673</u>	<u>268,953</u>
Cash Flow From Investing Activities:		
Purchase of property and equipment	( 547,652)	( 171,230)
IRP proceeds used for relending	( 188,366)	0
Self insurance - health insurance reserve	<u>53,171</u>	<u>26,384</u>
	<u>( 682,847)</u>	<u>( 144,846)</u>
Cash Flow From Financing Activities:		
Borrowing - short term notes	315,900	145,400
Borrowing - long term notes	208,000	20,332
Payments - short term notes	( 169,700)	( 83,400)
Payments - long term notes	( 25,634)	( 32,454)
Capital match deposits	( 53,202)	2,566
	<u>275,364</u>	<u>46,824</u>
Net Increase in Cash	168,190	170,931
Cash, Beginning of Year	<u>2,938,679</u>	<u>2,767,748</u>
Cash, End of Year	\$ <u>3,106,869</u>	\$ <u>2,938,679</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006 and 2005

Note 1 Nature of Activities and Significant Accounting Policies

A. Nature of Activities

Region XII Council of Governments, Inc. was created by a 28E agreement to service the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac.

The purposes for which the COG was organized are to provide joint services and facilities with other agencies to promote and assist the economic development of business concerns through growth and development and aid in development opportunities to the region, thereby increasing employment, business volume, and business payrolls. To accomplish these purposes, the COG has all the powers enumerated in the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa. These powers are limited to the definitions and purposes encompassed by Section 501(c)(3), of the Internal Revenue Code. In addition, the COG has the power and duty to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplication, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area.

Region XII Council of Governments, Inc., is the designated administrative agency, fiscal agent, and coordinating service provider for the Workforce Investment Act (WIA) in Iowa Workforce Development (IWD) Region 8. Region 8 includes the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. The COG is the fiscal agent for IWD in Region 8. The COG provides Promise Jobs case management for the counties of IWD Region 8. The cities of Perry and Redfield, Dallas County, are associate members of the COG. Region XII COG, Inc.'s Executive Board has the responsibility for all records which are included in these financial statements.

Region XII Council of Governments, Inc. owns and operates the Western Iowa Transit System. This rural transit system provides transit services to senior citizens, persons with disabilities, preschool and school aged students, and the general public. Western Iowa Transit System operates in Audubon, Carroll, Crawford, Greene, Guthrie, and Sac counties and is recognized by the Department of Transportation as the regional transit organization. The mission of Western Iowa Transit System is to provide safe, dependable, and efficient public transit services for all citizens within its service area in a manner which will help them maintain and improve their quality of life.

Region XII Council of Governments (COG) serves as the Regional Planning Affiliation (RPA) for the counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. As the RPA, the COG prepares all planning documents pursuant to transportation planning in the region, including the programming of regional federal funds for transportation. The COG is advised by a Transportation Advisory

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 1. Nature of Activities and Significant Accounting Policies (continued)

A. Nature of Activities (continued)

Committee on all planning documents. Final decisions on these documents are made by the Policy Council of Region XII Council of Governments.

Region XII Council of Government assists the communities and counties in identifying housing needs. Once needs are identified, the organization will work with the necessary partners to achieve those goals. Examples of programs include various housing rehabilitation programs, down payment assistance, rental projects, new construction, development of lots for sale, and lead base paint & inspection services.

The organization is dependent on continued funding by Federal, State and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

B. Affiliated Organizations

Council of Governments Housing, Inc. is a nonprofit corporation organized under Chapter 504A of the Code of Iowa, and the objectives and purpose to be transacted and carried on are to promote the general social welfare of the community. These powers are limited to the definitions and purposes encompassed by Section 501(c)(4), of the Internal Revenue Code.

In addition to the powers provided by Iowa law, this corporation shall be allowed to:

Acquire, construct, provide, and operate rental housing and related facilities suited to the special needs and living requirements of eligible occupants as determined by USDA Rural Development regulations, without regard to race, color, religion, sex, age, handicap, marital and familial status, or national origin; and Administer programs for the purpose of rehabilitation of owner-occupied or rental properties or other properties for the purpose of eliminating safety and health hazards and other activities necessary to improve the condition of the home for habitation; and Acquire, improve, and operate any real or personal property or interest or right herein or appurtenant thereto; to sell, convey, assign, mortgage, lease any real and personal property; and Borrow money and to execute such evidence of indebtedness and such contracts, agreements, and instruments as may be necessary, and to execute and deliver any mortgage, deed of trust, assignment of income, or other security instrument in connection therewith; and Do all things necessary and appropriate for carrying out and exercising the foregoing purposes and powers.

Region XII Development Corporation, Inc., is a nonprofit corporation organized under Chapter 504A of the Code of Iowa. These powers are limited to the definitions and purposes encompassed by Section 501(c)(3), of the Internal Revenue Code.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 1 Nature of Activities and Significant Accounting Policies (continued)

B. Affiliated Organizations (continued)

The objectives and purpose to be transacted and carried on are:  
To further the economic development of the area community known as Region XII, said Region comprises the counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac including the cities, and rural areas of said counties in the state of Iowa; and  
To aid in the development of the communities within the region; and promoting and stimulating business opportunities and development, both new and existing; and  
For charitable, educational and scientific purposes including, for such purposes, the making of distributions to organizations that qualify and exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, or the corresponding provision of any future United States revenue law; and  
For any and all purposes permitted in the Iowa Nonprofit Corporation Act, Chapter 504A of the 1981 Code of Iowa and permitted under Section 501(c)(3) of the Internal Revenue Code.

C. Significant Accounting Policies

Fund Accounting - To ensure observance of limitations and restrictions placed on the use of resources available to Region XII Council of Governments, Inc. and its wholly controlled affiliated organizations, the accounts of the organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund program; however, in the accompanying financial statements, programs that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United State of America. Grant or contract revenue is recognized when earned. The grants and contracts are written on an expense reimbursement basis and accordingly, grant or contract revenue is earned when allowable program expenses are incurred. The financial statements present any funds received and not expended as deferred revenue. Expenses are recorded when the liability is incurred. Disbursements for the purchase of property and equipment which provide future benefits are recorded as expenses in the program at the time of purchase and capitalized in the plant fund.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 1 Nature of Activities and Significant Accounting Policies (continued)

C. Significant Accounting Policies (continued)

Basis of Presentation - Net assets and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the COG and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Assets, Liabilities and Net Assets - The following accounting policies are followed in preparing the combined statement of financial position.

Cash and Investments - Cash includes amounts in demand deposits, money market funds, and certificates of deposit.

Program Funds and Accounts Receivable - Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Program funds and accounts receivable include amounts due to the COG but not received at year end.

Allowance for Doubtful Accounts - The direct write-off method is used to account for uncollectible housing and business loans. There is no provision for accounts receivable bad debts since all receivables are considered to be collectible.

Receivable from Future Claims or Reimbursements - This receivable represents an excess of expenses over revenue received from the funding source at year end.

Receivables/Payables from Other Funds - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. To the extent that certain transactions between funds had been paid or received as of June 30, 2006 and 2005, balances of inter-fund amounts have been recorded.

Property, Vehicles, and Equipment - Property, vehicles, and equipment are valued at historical cost. Property, vehicles, and equipment are recorded as expenses in the fund purchasing the asset. The purchases are then capitalized in the plant fund accumulating the net investment in property, vehicles, and equipment. Depreciation has been provided in the plant fund using the straight-line method over the estimated useful lives of the respective assets, generally 50 years for real property and 5 to 10 years for vehicles and equipment. The depreciated cost of the property, vehicles, and equipment does not purport to be either a realizable value or a replacement value. Expenses for maintenance, repairs, and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized. The cost of assets disposed is deleted.



REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 1. Nature of Activities and Significant Accounting Policies (continued)

C. Significant Accounting Policies (continued)

Annual Leave - Employees of the COG accumulate a limited amount of earned but unused annual leave payable to employees. Amounts representing the cost of annual leave expected to be liquidated currently are recorded as liabilities of the administrative fund or the program fund type. This liability has been computed based on current rates of pay.

Deferred Revenue - Deferred revenue represents an excess of cash advances by the funding source over accrued expenses at year end.

Total Column - The total column on the combined statement of financial position and the combined statement of activity is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Cost Allocation - Region XII Council of Governments, Inc. has adopted a cost allocation plan to allocate joint costs to the various programs. Any cost which cannot be assigned directly to a program is allocated based upon the ratio of direct labor hours worked for the respective program, square feet of space used, gross wages for direct program costs, or other reasonable methods of allocation.

Budgetary Accounting - The COG is not required by statute to use budgetary accounting. Therefore, no budgetary information is included in these financial statements.

Income Taxes - Region XII Council of Governments, Inc. and its wholly controlled affiliated organizations are exempt from Federal income taxes under provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from amounts estimated. These estimates involve useful lives for depreciation of assets, allowance for doubtful accounts, loss contingencies, and other estimating techniques as may be required to record effects of future events.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 2 Support From Governmental Units

The COG receives substantially all of its support from Federal, State, and local governments. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the COG's programs and activities.

Note 3 Leases

Region XII Council of Governments, Inc. sub-leases office facilities from the Iowa Workforce Development under a lease agreement which began December 31, 2002, and expires December 31, 2006.

The COG is obligated under other lease agreements accounted for as operating leases for equipment. In the event insufficient program funding occurs, these leases may be prematurely terminated with appropriate notice.

Total net rent expense for office facilities for the years ended June 30, 2006 and 2005 was \$ 1,188 and \$5,915 respectively.

Note 4 Pension and Retirement Benefits

The Region XII Council of Governments, Inc. contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117

Plan members are required to contribute 3.70% of their annual covered salary and the Region XII Council of Governments is required to contribute 5.75% of annual covered payroll except for law enforcement employees and police employees, in which case the percentages are higher. Contribution requirements are established by State statute. Region XII Council of Government's contribution to IPERS for the years ended June 30, 2006 and 2005 was \$75,575 and \$72,439 respectively, equal to the employer required contributions for each year. The total contribution to IPERS for the years ended June 30, 2006 and 2005 were \$124,206 and \$119,052 respectively.

Note 5 Contingent Liability - Medical Leave

The COG's full time and part time II employees accumulate medical leave hours for subsequent use. No compensation is made for accrued medical leave at time of separation and these accumulations are not recognized as expenses by the COG until used. The COG's approximate maximum liability for unrecognized medical leave benefits as of June 30, 2006 and 2005 was \$155,000 and \$146,000 respectively. The maximum allowable medical leave may accumulate to 90 days. An employee that has been employed at least 10 years may elect to covert 10 days of medical leave into annual leave. Two days of medical leave earned is then equal to one day of annual leave.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 6 Organization Risk Management

Region XII Council of Governments, Inc., its wholly controlled affiliated organizations, Council of Governments Housing, Inc., and Region XII Development Corporation, Inc., are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Region XII Council of Governments, Inc. is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as expenditures from its operation funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2006, and 2005 were \$111,645 and \$101,432 respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 6 Organization Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Region XII Council of Governments, Inc. also carries commercial insurance purchased from other insurers for coverage associated with the employee bond. Region XII Council of Governments, Inc. assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 Total Deposit Accounts Exceeding Insured Depository Limits

Region XII Council of Governments, Inc. and its wholly controlled affiliated organizations maintain their checking, savings, and certificate of deposit accounts in various financial institutions. These financial institutions classify these deposits as public funds and are subject to the guidelines referred to in Chapter 12C of the Code of Iowa.

As of the fiscal year end, the following financial institutions held public funds totaling:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Iowa Savings Bank	\$ 3,126,435	\$ 3,015,653
Templeton Savings Bank	119,807	115,815

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 8 Property, Vehicles, and Equipment

A summary of property, vehicles, equipment, and the components of accumulated depreciation, are as follows:

FISCAL YEAR END June 30, 2006

<u>Property &amp; Equip.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year	\$ 1,579,355	\$ 1,605,532	\$ 301,706	\$ 3,486,593
Additions	0	517,557	30,095	547,652
Disposals	0	( 189,509)	( 14,812)	( 204,321)
End of year	\$ <u>1,579,355</u>	\$ <u>1,933,580</u>	\$ <u>316,989</u>	\$ <u>3,829,924</u>
<u>Accumulated Depr.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year	\$ 167,665	\$ 1,137,958	\$ 142,377	\$ 1,448,000
Current deprec.	24,561	160,301	27,690	212,552
Disposal of assets	0	( 189,509)	( 14,813)	( 204,322)
End of year	\$ <u>192,226</u>	\$ <u>1,108,750</u>	\$ <u>155,254</u>	\$ <u>1,456,230</u>

FISCAL YEAR END June 30, 2005

<u>Property &amp; Equip.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year	\$ 1,579,355	\$ 1,628,342	\$ 261,385	\$ 3,469,082
Additions	0	122,484	48,747	171,231
Disposals	0	( 145,294)	( 8,426)	( 153,720)
End of year	\$ <u>1,579,355</u>	\$ <u>1,605,532</u>	\$ <u>301,706</u>	\$ <u>3,486,593</u>
<u>Accumulated Depr.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year	\$ 143,104	\$ 1,150,530	\$ 124,917	\$ 1,418,551
Current deprec.	24,561	132,721	25,886	183,168
Disposal of assets	0	( 145,293)	( 8,426)	( 153,719)
End of year	\$ <u>167,665</u>	\$ <u>1,137,958</u>	\$ <u>142,377</u>	\$ <u>1,448,000</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 9 Housing and Business Enterprise Loans Receivable

The COG accounts for grant proceeds as revenue. Principal and interest payments received are accounted for as other program revenues when received. Loans and grants paid to families are treated as expenses at the time the loan is made to accommodate the required reporting format on quarterly reports.

Region XII Council of Governments administers Community Development Block Grants Revolving Loans (CDBG Loans) for various cities within Region XII. The loans are for down payment assistance or for a portion of the cost of housing rehabilitation.

Region XII Council of Governments administered the Department of Agriculture-Housing Preservation Grant (HPG Loans). The grant proceeds are used to maintain a low-interest revolving loan fund for low-income residents. Loans of up to \$5,000 per family, at varying interest rates, are used to make health and safety improvements to homes.

Region XII Council of Governments administers the Iowa Department of Economic Development Local Housing Assistance Program (LHAP Loans). LHAP funds are awarded for the purpose of providing a regional revolving loan fund to provide low-interest construction financing for new single-family housing.

Region XII Council of Governments administers the Iowa Finance Authority "Helping Iowa's Rural Economy" grant (HIRE Loans). The funds are for home ownership initiative down payment loans to provide financial assistance for the creation of affordable housing and economic development throughout the State of Iowa.

Region XII Council of Governments received a loan from the US Department of Agriculture Intermediary Relending Program (IRP Loans). The loan proceeds plus local match are to be used for business enterprise loans.

Region XII Development Corporation received a Department of Commerce - Title IX Long-Term Economic Deterioration Revolving Loan Program (EDA Loans). The grant proceeds are used for business enterprise loans.

Region XII Development Corporation received a Rural Business Enterprise Grant (RBEG Loans) for loan assistance to rural business enterprises.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 9 Housing and Business Enterprise Loans Receivable (continued)

The balance of all loans is reflected as other assets on the combined statement of financial position. A summary of activity is as follows:

<u>FISCAL YEAR June 30, 2006</u>					
	<u>Beginning Balance</u>	<u>Payments Received</u>	<u>Write- Offs</u>	<u>Accrued Interest &amp; New Loans</u>	<u>Ending Balance</u>
<u>Region XII Council of Governments, Inc.</u>					
CDBG/Home	\$ 1,222,914	\$ 176,504	\$ 0	\$ 274,934	\$ 1,321,344
HPG Loans	701,760	255,427	0	203,799	650,132
LHAP Loans	73,869	24,347	0	60,672	110,194
HIRE Loans	366,714	72,156	0	83,604	378,162
	<u>2,365,257</u>	<u>528,434</u>	<u>0</u>	<u>623,009</u>	<u>2,459,832</u>
<u>Council of Governments Housing, Inc.</u>					
COG Housing	70,296	9,261	0	434	61,469
Housing Trust	103,302	19,449	0	10,269	94,122
	<u>173,598</u>	<u>28,710</u>	<u>0</u>	<u>10,703</u>	<u>155,591</u>
<u>Region XII Development Corporation, Inc.</u>					
IRP Loans	596,716	78,046	0	382,176	900,846
EDA Loans	496,665	56,714	0	127,623	567,574
RBEG Loans	109,557	33,492	0	48,777	124,842
	<u>1,202,938</u>	<u>168,252</u>	<u>0</u>	<u>558,576</u>	<u>1,593,262</u>
Total	\$ <u>3,741,793</u>	\$ <u>725,396</u>	\$ <u>0</u>	\$ <u>1,192,288</u>	\$ <u>4,208,685</u>

<u>FISCAL YEAR June 30, 2005</u>					
	<u>Beginning Balance</u>	<u>Payments Received</u>	<u>Write- Offs</u>	<u>Accrued Interest &amp; New Loans</u>	<u>Ending Balance</u>
<u>Region XII Council of Governments, Inc.</u>					
CDBG/Home	\$ 1,103,764	\$ 169,509	\$ 0	\$ 288,659	\$ 1,222,914
HPG Loans	561,415	153,832	0	294,177	701,760
LHAP Loans	121,492	47,776	0	153	73,869
HIRE Loans	353,448	55,643	0	68,909	366,714
	<u>2,140,119</u>	<u>426,760</u>	<u>0</u>	<u>651,898</u>	<u>2,365,257</u>
<u>Council of Governments Housing, Inc.</u>					
COG Housing	75,698	9,194	0	3,792	70,296
Housing Trust	0	9,306	0	112,608	103,302
	<u>75,698</u>	<u>18,500</u>	<u>0</u>	<u>116,400</u>	<u>173,598</u>
<u>Region XII Development Corporation, Inc.</u>					
IRP Loans	602,429	66,457	0	60,744	596,716
EDA Loans	437,753	146,584	0	205,496	496,665
RBEG Loans	172,415	72,303	0	9,445	109,557
	<u>1,212,597</u>	<u>285,344</u>	<u>0</u>	<u>275,685</u>	<u>1,202,938</u>
Total	\$ <u>3,428,414</u>	\$ <u>730,604</u>	\$ <u>0</u>	\$ <u>1,043,983</u>	\$ <u>3,741,793</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2006 and 2005

Note 10 Long Term Notes Payable

The long term notes payable and classification are as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Region XII Council of Governments, Inc., has entered into a loan agreement with the United States Department of Agriculture, Intermediary Relending Program. The loan agreement, dated December 15, 2000, is for the sum of \$600,000, interest at a fixed rate of 1% per annum, for a term of 30 years. The repayment shall be made in 27 equal installments of \$25,470 including principle and interest beginning December 15, 2004. The loan agreement requires a restricted cash account to be maintained at 6% of the balance outstanding.	\$ 560,749	\$ 580,383

Region XII Council of Governments, Inc., has entered into a loan agreement with the United States Department of Agriculture, Intermediary Relending Program. The loan agreement, dated September 16, 2005, is for the sum of \$600,000, interest at a fixed rate of 1% per annum, for a term of 30 years. No repayment schedule is required as of June 30, 2006.	208,000	0
--	---------	---

Region XII Council of Governments, Inc., has entered into an Amoco Loan Agreement with the Iowa Department of Transportation. The capital loan, dated October 8, 2003, is for the sum of \$30,000, no interest, payable in equal installments of \$6,000 for a term of 5 years beginning December 31, 2004.	<u>18,000</u>	<u>24,000</u>
Total Notes Payable	786,749	604,383
Current Portion of Long Term Debt	<u>25,863</u>	<u>25,666</u>
Long Term Portion	\$ <u><u>760,886</u></u>	\$ <u><u>578,717</u></u>

Maturities of notes payable over the next five years are as follows:

June 30, 2006	\$ -	\$ 25,666
June 30, 2007	25,863	25,863
June 30, 2008	26,062	26,062
June 30, 2009	26,262	26,262
June 30, 2010	20,465	20,465
June 30, 2011	20,669	-
Thereafter	<u>667,428</u>	<u>480,065</u>
Total	\$ <u><u>786,749</u></u>	\$ <u><u>604,383</u></u>



## SUPPLEMENTAL INFORMATION

## Schedule 1

REGION XII COUNCIL OF GOVERNMENTS, INC.  
COMBINING STATEMENTS OF FINANCIAL POSITION-PROGRAM FUNDS  
June 30, 2006

ASSETS	Rural Transit System Funds	Workforce Development	Other Planning & Administrative Programs	Total
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 331,669	\$ 1	\$ 2,192,211	\$ 2,523,881
Receivables:				
Grantor agencies	43,491	55,691	53,439	152,621
Other sources	82,276	0	263,055	345,331
Other funds	0	0	482,208	482,208
Prepaid expenses	0	0	13,795	13,795
Total current Assets	457,436	55,692	3,004,708	3,517,836
<b>PROPERTY AND EQUIPMENT</b>				
Land & building	1,070,258	0	509,097	1,579,355
Vehicles	1,846,013	0	87,567	1,933,580
Office equipment	0	0	316,989	316,989
	2,916,271	0	913,653	3,829,924
Less accumulated depreciation	1,182,142	0	274,088	1,456,230
	1,734,129	0	639,565	2,373,694
<b>OTHER ASSETS</b>				
Receivable from future claims or reimbursements	0	0	379,195	379,195
Housing Program loans	0	0	2,521,301	2,521,301
Total Assets	\$ 2,191,565	\$ 55,692	\$ 6,544,769	\$ 8,792,026
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 28,994	\$ 32,461	\$ 26,743	\$ 88,198
Note payable	0	0	312,500	312,500
Current portion of long term debt	6,000	0	0	6,000
Accrued payroll and benefits	5,064	5,608	6,292	16,964
Accrued annual leave	0	8,359	59,635	67,994
Due to other funds	2,175	9,264	213,381	224,820
Deferred revenue	0	0	79,967	79,967
Capital match deposits	35,822	0	0	35,822
Total current liabilities	78,055	55,692	698,518	832,265
<b>LONG TERM LIABILITIES</b>				
Note payable	12,000	0	0	12,000
<b>NET ASSETS</b>				
Unreserved Net Assets				
Unreserved net assets	367,381	0	2,524,119	2,891,500
Health insurance reserves	0	0	161,266	161,266
Reserve for loans	0	0	2,521,301	2,521,301
Investment in property & Equip.	1,734,129	0	639,565	2,373,694
Temporarily Restricted Net Assets	0	0	0	0
Permanently Restricted Net Assets	0	0	0	0
	2,101,510	0	5,846,251	7,947,761
Total Liabilities and Net Assets	\$ 2,191,565	\$ 55,692	\$ 6,544,769	\$ 8,792,026

See accompanying Independent Auditor's Report.

## Schedule 2

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 LOCAL FUNDS  
 Year Ended June 30, 2006

	Local Funds	Loan Repayment Funds	Acquisition/ Demolition Repayment
Revenues:			
Program Funds	\$ 192,071	\$ 0	\$ 0
Loan Repayments	0	567,647	13,000
Interest	34,221	100,254	524
Donations	9,500	0	0
Other Revenues	<u>10,387</u>	<u>0</u>	<u>0</u>
Total revenues	<u>246,179</u>	<u>667,901</u>	<u>13,524</u>
Expenses:			
Salary & wages	0	33,767	4
Employee benefits	911	10,939	2
Advertising & marketing	0	39	0
Accounting & legal	405	7,996	119
Insurance	0	909	0
Contract Services	0	87	0
Fees, dues & subscriptions	0	354	0
Postage	24	1,324	0
Printing	128	23	0
Rent	0	2,540	0
Telephone	0	463	0
Travel	44	2,397	0
Utilities	0	640	0
Office expense	264	3,700	0
Equipment maintenance	0	244	0
Equipment rental	0	810	0
Facility maintenance	0	383	0
Board expenses	0	161	0
Registration fees	0	164	0
Vehicle expense	13,287	0	0
Participant loans & grants	0	226,037	0
Vehicle and equipment purchases	29,813	0	0
Interest	0	0	0
Matching funds expended	<u>32,228</u>	<u>4,481</u>	<u>0</u>
Total expenses	<u>77,104</u>	<u>297,458</u>	<u>125</u>
Revenue over (under) expenses	169,075	370,443	13,399
Beginning of year	<u>618,340</u>	<u>1,334,015</u>	<u>18,847</u>
End of Year-Net asset	\$ <u><u>787,415</u></u>	\$ <u><u>1,704,458</u></u>	\$ <u><u>32,246</u></u>

See accompanying Independent Auditor's Report.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF REVENUES AND EXPENSES  
ADMINISTRATIVE FUNDS  
Year Ended June 30, 2006

	Community Administered Support Programs	Council of Government Assistance 2006-COG-01	Housing Programs Repo & Spec Houses	IDED Housing Fund
Revenues:				
Governmental Funding Source:				
State funds	\$ 0	\$ 9,375	\$ 0	\$ 0
Program funds	93,978	0	54,886	35,048
Matching funds	19,449	819	0	4,889
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total revenues	<u>113,427</u>	<u>10,194</u>	<u>54,866</u>	<u>39,937</u>
Expenses:				
Salary & wages	51,786	3,262	0	24,411
Employee benefits	14,555	1,033	0	7,949
Advertising & marketing	80	0	0	33
Accounting & legal	694	1,251	315	90
Insurance	1,426	11	0	661
Contracted services	5,642	0	143,767	144
Fees, dues & subscriptions	470	63	0	223
Postage	746	6	0	987
Printing	10	0	0	23
Rent	4,014	38	0	1,839
Telephone	693	6	0	419
Travel	3,858	444	0	1,844
Utilities	945	19	0	469
Office expense	2,320	354	0	1,319
Equipment maintenance	428	3	0	172
Equipment rental	1,429	3	0	729
Facility maintenance	567	47	0	300
Board expense	292	55	0	116
Registration fees	883	22	0	189
Participant loans & grants	0	0	0	7,895
Program funds	2,200	0	0	0
Plant, property, and equip	0	3,577	0	0
Interest	4	0	0	0
Matching funds expended	<u>33,418</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenses	<u>126,460</u>	<u>10,194</u>	<u>144,082</u>	<u>49,812</u>
Revenue over (under) expenses	( 13,033)	0	( 89,196)	( 9,875)
Beginning of year	<u>7,075</u>	<u>0</u>	<u>(173,348)</u>	<u>915</u>
End of Year-Receiveable from future claims	\$ ( <u>5,958</u> )	\$ <u>0</u>	\$ ( <u>262,544</u> )	( <u>8,960</u> )
End of Year - Deferred revenue	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

See accompanying Independent Auditor's Report.

## Schedule 3

Iowa Waste Exchange <u>IWE06B</u>	Valley Business Park Planning Project	Mobility Action Planning Works #08550	Regional Planning FTA Non-Urb #07920	Regional Planning REG. STP #07920
\$ 50,000	\$ 0	\$ 1,300	\$ 14,588	\$ 51,130
0	0	0	0	0
0	0	755	3,809	12,967
0	0	0	0	0
<u>50,000</u>	<u>0</u>	<u>2,055</u>	<u>18,397</u>	<u>64,097</u>
29,494	6,426	994	11,471	39,059
10,086	1,848	323	2,984	10,134
22	6	0	8	35
178	32	0	59	394
858	153	22	271	1,083
91	42,106	19	51	116
397	116	0	69	284
301	85	6	94	399
22	8	2	8	28
2,413	415	61	747	2,988
385	74	12	146	750
1,997	417	57	841	3,410
632	105	19	221	813
1,349	311	39	567	1,723
270	18	1	68	301
1,067	153	37	388	1,272
305	45	23	139	385
167	19	440	127	440
31	0	0	138	483
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>50,065</u>	<u>52,337</u>	<u>2,055</u>	<u>18,397</u>	<u>64,097</u>
( 65)	(52,337)	0	0	0
<u>0</u>	<u>62,369</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$ ( <u>65</u> )	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
\$ <u>0</u>	\$ <u>10,032</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME LOAN FUNDS  
 Year Ended June 30, 2006

	Community Development Block <u>Grant</u>	HOME <u>Loans</u>
Revenues:		
Governmental funding source:		
Housing and Urban Development	\$ 388,342	\$ 354,108
Matching funds	<u>779</u>	<u>20,593</u>
Total revenues	<u>389,121</u>	<u>374,701</u>
Expenses:		
Salary & wages	34,513	17,807
Employee benefits	10,681	6,205
Advertising & marketing	45	15
Accounting & legal	695	617
Insurance	969	500
Contract Services	92	53
Fees, dues & subscriptions	415	181
Postage	1,728	829
Printing	20	14
Rent	2,723	1,423
Telephone	667	319
Travel	2,470	1,493
Utilities	670	353
Office expense	1,969	1,111
Equipment maintenance	274	148
Equipment rental	810	382
Facility maintenance	353	203
Board expenses	166	94
Registration fees	270	153
Participant loans & grants	<u>322,105</u>	<u>335,734</u>
Total expenses	<u>381,635</u>	<u>367,634</u>
Revenue over (under) expenses	7,486	7,067
Beginning of year	( <u>40,432</u> )	( <u>70,532</u> )
End of Year-Net asset	\$ ( <u>32,946</u> )	\$ ( <u>63,465</u> )

See accompanying Independent Auditor's Report.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION  
 HAZARD MITIGATION PLANS  
 Year Ended June 30, 2006

## Revenues:

## Governmental Funding Source:

## Federal Emergency Management Agency:

Iowa Homeland Security & Emergency Management Division	\$ 50,037
Matching funds	<u>1,370</u>
Total revenues	<u>51,407</u>

## Expenses:

Salary & wages	29,267
Employee benefits	8,370
Advertising & marketing	47
Accounting & legal	1
Insurance	785
Contract Services	11
Fees, dues & subscriptions	169
Postage	183
Printing	35
Rent	2,177
Telephone	349
Travel	2,020
Utilities	579
Office expense	1,217
Equipment maintenance	334
Equipment rental	705
Facility maintenance	438
Board expenses	118
Registration fees	<u>155</u>
Total expenses	<u>46,960</u>

Revenue over (under) expenses	4,447
Beginning of year	( <u>9,006</u> )
End of Year-Net asset	\$ ( <u><u>4,559</u></u> )

See accompanying Independent Auditor's Report.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 TRANSIT PROGRAMS  
 Year Ended June 30, 2006

	Rural Transit <u>Operating</u>	Section III <u>Capital</u>	Section 18 <u>Capital</u>	<u>Total</u>
Revenue:				
Governmental Funding Source:				
Federal-Dept. of Transportation	\$ 254,138	\$410,132	\$ 24,952	\$ 689,222
Iowa Dept. of Transportation	358,013	0	0	358,013
Elderbridge Agency	35,500	0	0	35,500
United way	4,500	0	0	4,500
Public support & contribution	958,175	0	0	958,175
Capital match funds	0	87,394	6,238	93,632
Interest income	12,186	0	0	12,186
Fuel tax refund	11,246	0	0	11,246
Other local	15,642	0	0	15,642
Total Revenues	<u>1,649,400</u>	<u>497,526</u>	<u>31,190</u>	<u>2,178,116</u>
Expenses:				
Salaries & wages	142,675	0	0	142,675
Employee benefits	41,785	0	0	41,785
Advertising & marketing	5,630	0	0	5,630
Accounting & legal	4,493	0	0	4,493
Insurance	3,040	0	0	3,040
Contracted services	34,627	0	0	34,627
Fees, dues & subscriptions	4,186	0	0	4,186
Postage	1,433	0	0	1,433
Printing	85	0	0	85
Rent	1,285	0	0	1,285
Telephone	10,418	0	0	10,418
Travel	14,443	0	0	14,443
Utilities	15,887	0	0	15,887
Office expense	5,682	0	0	5,682
Equipment maintenance	401	0	0	401
Equipment rental	1,486	0	0	1,486
Facility maintenance	1,846	0	0	1,846
Board expense	854	0	0	854
Registration fees	1,079	0	0	1,079
Drivers' wages & benefits	781,116	0	0	781,116
Vehicle fuel & other costs	266,331	0	0	266,331
Vehicle insurance	76,729	0	0	76,729
Purchased services	104,200	0	0	104,200
Property and equip. purchases	24,049	497,526	31,190	552,765
Matching funds	3,647	0	0	3,647
Total Expenses	<u>1,547,407</u>	<u>497,526</u>	<u>31,190</u>	<u>2,076,123</u>
Revenue over (under) expenses	101,993	0	0	101,993
Beginning of year-net assets	<u>265,388</u>	<u>0</u>	<u>0</u>	<u>265,388</u>
End of Year-Net assets	\$ <u>367,381</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>367,381</u>

See accompanying Independent Auditor's Report.



REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF REVENUES AND EXPENSES  
WORKFORCE DEVELOPMENT PROGRAMS  
AGREEMENT NUMBER 1-W-08-FR-0  
Year Ended June 30, 2006

	WORKFORCE INVESTMENT ACT - TITLE I					
	<u>Admin.</u>	<u>Adult</u>	<u>Youth In School</u>	<u>Youth-Out Of School</u>	<u>Dislocated Worker</u>	<u>Adult Incentive</u>
Revenues:						
Governmental Funding Sources:						
Iowa Workforce Development	\$ <u>29,429</u>	\$ <u>51,972</u>	\$ <u>42,842</u>	\$ <u>22,740</u>	\$ <u>97,269</u>	\$ <u>62,246</u>
Expenses:						
Salaries & wages	14,172	19,905	9,354	11,483	25,805	33,545
Employee benefits	3,309	6,207	2,536	3,354	7,879	9,385
Advertising & marketing	49	0	0	0	0	10
Accounting & legal	840	0	0	0	0	1
Insurance	508	756	305	352	1,016	858
Contracted services	47	0	0	0	0	3
Fees, dues & subscriptions	696	0	0	0	0	25
Postage	305	336	125	163	390	318
Printing	12	8	5	5	26	21
Rent	1,000	1,206	486	633	1,494	1,695
Telephone	335	261	125	156	349	459
Travel	5,239	1,273	497	713	1,940	2,253
Utilities	312	342	148	198	380	537
Office expense	816	719	592	724	875	1,449
Equipment maintenance	76	59	21	29	80	67
Equipment rental	278	537	193	253	780	724
Facility maintenance	161	242	83	141	84	492
Board expense	1,210	0	0	0	0	101
Registration fees	64	79	44	48	191	86
Program funds	0	0	0	0	0	0
Participant support	<u>0</u>	<u>20,042</u>	<u>28,328</u>	<u>4,488</u>	<u>55,980</u>	<u>10,217</u>
Total expenses	<u>29,429</u>	<u>51,972</u>	<u>42,842</u>	<u>22,740</u>	<u>97,269</u>	<u>\$62,246</u>
Net	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

See accompanying Independent Auditor's Report.

WIA Title I Dislocated Worker Incentive	IOWA WORKFORCE DEVELOPMENT / STAFFING FISCAL AGENT						
	General Admin	Promise Jobs		Re-employment Services	General (Surtax)	Navigator	Rapid Response
		Basic Funds	Life Skills				
\$ <u>2,814</u>	\$ <u>2,615</u>	\$ <u>13,732</u>	\$ <u>1,228</u>	\$ <u>1,793</u>	\$ <u>47,130</u>	\$ <u>13,558</u>	\$ <u>2,073</u>
1,636	1,498	0	0	0	0	0	0
563	445	0	0	0	0	0	0
0	5	0	0	0	0	0	0
0	10	0	0	0	0	0	0
55	50	0	0	0	0	0	0
0	7	0	0	0	0	0	0
0	28	0	0	0	0	0	0
36	32	0	0	0	0	0	0
0	2	0	0	0	0	0	0
118	104	0	0	0	0	0	0
27	36	0	0	0	0	0	0
225	105	0	0	0	0	0	0
28	38	0	0	0	0	0	0
71	105	0	0	0	0	0	0
8	9	0	0	0	0	0	0
11	38	0	0	0	0	0	0
36	20	0	0	0	0	0	0
0	33	0	0	0	0	0	0
0	50	0	0	0	0	0	0
0	0	13,732	1,228	1,793	47,130	13,558	2,073
0	0	0	0	0	0	0	0
<u>2,814</u>	<u>2,615</u>	<u>13,732</u>	<u>1,228</u>	<u>1,793</u>	<u>47,130</u>	<u>13,558</u>	<u>2,073</u>
\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 WORKFORCE DEVELOPMENT PROGRAM  
 PROMISE JOBS (AGREEMENT # 1-W-08-FR-0)  
 Year Ended June 30, 2006

	<u>Basic Funds</u>
Revenues:	
Governmental Funding Sources:	
Iowa Workforce Development	\$ <u>113,267</u>
Expenses:	
Salaries wages	66,353
Employee benefits	17,722
Advertising & marketing	224
Accounting & legal	465
Insurance	2,128
Contracted Services	410
Fees, dues & subscriptions	2,309
Postage	1,396
Printing	73
Rent	4,440
Telephone	1,275
Travel	5,922
Utilities	1,244
Office expense	5,038
Equipment maintenance	327
Equipment rental	1,454
Facility maintenance	836
Board expense	1,115
Registration fees	<u>536</u>
Total expenses	<u>113,267</u>
Net	\$ <u><u>0</u></u>

See accompanying Independent Auditor's Report.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 HOUSING PRESERVATION PROGRAM  
 BORROWER ID # 160140421017843  
 Year Ended June 30, 2006

	Program Period 10/01/05- <u>9/30/06</u>
Revenues:	
Governmental Funding Source:	
USDA-Rural Development	\$ 30,606
Matching funds	<u>4,978</u>
Total Revenues	<u>35,584</u>
Expenses:	
Salaries & wages	5,765
Employee benefits	2,061
Advertising & marketing	10
Accounting & legal	225
Insurance	157
Contract services	19
Fees, dues & subscriptions	28
Postage	243
Printing	2
Rent	418
Telephone	98
Travel	443
Utilities	128
Office expense	290
Equipment maintenance	50
Equipment rental	165
Facility maintenance	73
Board expense	31
Registration fees	110
Participant loans & grants	<u>25,966</u>
Total expenses	<u>36,282</u>
Revenue (under) expenses	( 698)
Beginning of year	<u>0</u>
End of Year - Receivable from future claims	\$( <u>698</u> )

See accompanying Independent Auditor's Report.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 ECONOMIC DEVELOPMENT PLANNING GRANT  
 AWARD NO. 05-83-04157  
 Year Ended June 30, 2006

## Revenues:

## Governmental Funding Sources:

Department of Commerce	\$ 51,000
Matching funds	17,124
Interest	<u>171</u>
Total revenues	<u>68,295</u>

## Expenses:

Salaries & wages	42,687
Employee benefits	10,909
Advertising & marketing	55
Accounting & legal	228
Insurance	1,139
Contract services	16
Fees, dues & subscriptions	262
Postage	521
Printing	45
Rent	3,164
Telephone	592
Travel	3,687
Utilities	722
Office expense	1,746
Equipment maintenance	335
Equipment rental	982
Facility maintenance	376
Board expense	231
Registration fees	432
Matching Funds Expended	<u>166</u>
Total expenses	<u>68,295</u>

Net \$ 0

See accompanying Independent Auditor's Report.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF REVENUES AND EXPENSES  
JUVENILE JUSTICE YOUTH DEVELOPMENT PROGRAM  
Year Ended June 30, 2006

Schedule 11

Contract #  
04-JD03-F504

Revenues:

Governmental Funding Sources:

Division of Criminal and Juvenile  
Justice Planning

\$ 4,210

Expenses:

Contracted services  
Total expenses

4,210  
4,210

Net

\$ 0

See accompanying Independent Auditor's Report.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 USDA RURAL DEVELOPMENT LEAD-BASED PAINT INSPECTION  
 CHILDHOOD LEAD POISONING PREVENTION PROGRAMS  
 Year Ended June 30, 2006

	<u>Lead-Based Paint Inspection</u>
Revenues:	
Governmental Funding Sources:	
USDA Rural Development	\$ 350
Iowa Department of Public Health	3,150
Local funds	<u>6,340</u>
Total revenues	<u>9,840</u>
Expenses:	
Salaries & wages	9,542
Employee benefits	3,966
Advertising & marketing	14
Accounting & legal	67
Insurance	272
Contracted Services	175
Fees, dues & subscriptions	86
Postage	423
Printing	8
Rent	744
Telephone	141
Travel	820
Utilities	199
Office expense	499
Equipment maintenance	75
Equipment rental	261
Facility maintenance	124
Board expense	49
Registration fees	<u>130</u>
Total expenses	<u>17,595</u>
Revenue over (under) expenses	( 7,755)
Beginning of Year	<u>60,531</u>
End of Year - Deferred revenue	\$ <u><u>52,776</u></u>

See accompanying Independent Auditor's Report.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 PARTNERSHIP 4 FAMILIES EMPOWERMENT AREA  
 Year Ended June 30, 2006

	<u>School Ready</u>	<u>Early Childhood</u>
Revenues:		
Governmental Funding Sources:		
Iowa Department of Human Services	\$ 0	\$ 214
Iowa Department of Education	<u>1,306</u>	<u>0</u>
Total revenues	<u>1,306</u>	<u>214</u>
Expenses:		
Accounting & legal	1,306	214
Contracted services	<u>44,948</u>	<u>152</u>
Total expenses	<u>46,254</u>	<u>366</u>
Revenue over (under) expenses	(44,948)	(152)
Beginning of Year	<u>44,948</u>	<u>152</u>
End of Year - Deferred revenue	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

See accompanying Independent Auditor's Report.



REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 WESTERN IOWA ADVANTAGE PARTNERS  
 IDED GRANT NUMBER 05-RMG-03  
 Year Ended June 30, 2006

## Revenues:

## Governmental Funding Source:

Iowa Dept. of Economic Development	\$ 75,000
Matching funds	95,567
Interest	<u>2,160</u>
Total revenues	<u>172,727</u>

## Expenses:

Salary & wages	472
Employee benefits	113
Accounting & legal	3
Insurance	13
Contracted services	154,510
Postage	5
Rent	83
Telephone	6
Travel	93
Utilities	12
Office expense	17
Equipment maintenance	3
Equipment rental	5
Board expense	224
Registration fees	<u>9</u>
Total expenses	<u>155,568</u>

Revenue over (under) expenses	17,159
Beginning of year	<u>0</u>
End of year - Deferred revenue	\$ <u><u>17,159</u></u>

See accompanying Independent Auditor's Report.

COUNCIL OF GOVERNMENTS HOUSING, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 Year Ended June 30, 2006

	Revolving Loan <u>Fund</u>	Spec Housing <u>Fund</u>	Administrative <u>Funds</u>
Revenues:			
Loan repayment	\$ 16,449	\$ 0	\$ 0
Interest Income	2,093	0	1,152
Local funds	<u>535</u>	<u>0</u>	<u>2,357</u>
Total revenues	<u>19,077</u>	<u>0</u>	<u>3,509</u>
Expenses:			
Salaries & wages	961	0	212
Employee benefits	378	0	83
Advertising & marketing	1	0	0
Accounting & legal	368	40	5
Insurance	28	0	6
Contracted services	3	203,256	1
Fees, dues, & subscriptions	8	0	2
Postage	42	0	9
Printing	1	0	0
Rent	78	0	18
Telephone	14	0	3
Travel	69	0	15
Utilities	20	0	4
Office expense	184	0	33
Equipment maintenance	7	0	2
Equipment rental	25	0	5
Facility maintenance	11	0	2
Board expense	5	0	1
Registration fee	<u>1</u>	<u>0</u>	<u>0</u>
Total expenses	<u>2,204</u>	<u>203,296</u>	<u>401</u>
Revenue over (under) expenses	16,873	(203,296)	3,108
Beginning of Year	<u>5,925</u>	( 14,059)	<u>12,734</u>
End of Year - Net assets	\$ <u><u>22,798</u></u>	\$ (217,355)	\$ <u><u>15,842</u></u>

See accompanying Independent Auditor's Report.

## Schedule 16

REGION XII DEVELOPMENT CORPORATION, INC.  
 SCHEDULE OF REVENUE AND EXPENSES  
 Year Ended June 30, 2006

	Intermediary Relending Program		Rural Business Enterprise Grant	Long-Term Economic Deterioration Revolving Loan Fund
	Admin. and Repayment Fund	Loan Fund	Admin. and Repayment Fund	Admin. and Repayment Fund
Revenues:				
Governmental Funding Source:				
Federal grants	\$ 0	\$ 208,000	\$ 0	\$ 0
Loan repayment & fees	76,297	7,449	34,468	66,299
Interest Income	44,717	10,203	13,947	23,949
Matching funds	0	100,000	0	0
Total revenues	<u>121,014</u>	<u>325,652</u>	<u>48,415</u>	<u>90,248</u>
Expenses:				
Salaries & wages	5,134	35	7,450	9,783
Employee benefits	1,565	15	2,129	2,731
Advertising & marketing	9	0	17	12
Accounting & Legal	296	95	266	684
Insurance	139	1	210	271
Contracted services	876	0	378	1,155
Fees, dues & subscriptions	10	180	63	233
Postage	60	0	103	110
Printing	4	1	4	7
Rent	384	3	604	776
Telephone	65	0	94	129
Travel	410	3	629	662
Utilities	107	1	134	182
Office expense	313	15	374	538
Equipment maintenance	34	0	63	67
Equipment rental	152	1	180	260
Facility maintenance	76	1	114	133
Board expense	503	784	136	354
Registration	5	0	40	47
Participant loans	123,500	260,000	53,500	138,500
Loan principal payments	19,634	0	0	0
Interest	5,836	0	0	0
Total expenses	<u>159,112</u>	<u>261,135</u>	<u>66,488</u>	<u>156,634</u>
Revenue over (under) expenses	( 38,098)	64,517	( 18,073)	( 66,386)
Beginning of Year	<u>217,523</u>	<u>50,000</u>	<u>212,324</u>	<u>116,647</u>
End of Year - Net assets	\$ <u>179,425</u>	\$ <u>114,517</u>	\$ <u>194,251</u>	\$ <u>50,261</u>

See accompanying Independent Auditor's Report.

Schedule 17

REGION XII COUNCIL OF GOVERNMENTS, INC. AND AFFILIATED ORGANIZATIONS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006

<u>Federal Direct:</u>	<u>CFDA #</u>	<u>Agreement or Grant Number</u>	<u>Total Expenditures</u>
<u>Department of Agriculture:</u>			
Housing Preservation Grant	10.433	160140421017843	\$ 36,282
Intermediary Relending Program	10.767	Loan Agreement	<u>261,135</u>
Total Department of Agriculture			<u>\$ 297,417</u>
<u>Department of Commerce - EDA:</u>			
Economic Development Planning Grant	11.305	05-83-04157	<u>\$ 68,295</u>
 <u>Federal Indirect:</u>			
<u>Department of Justice:</u>			
Juvenile Justice Youth Development	16.548	04-JD03-F504	\$ 1,661
Juvenile Justice Youth Development	16.540	04-JD03-F504	1,686
Juvenile Justice Youth Development	16.523	04-JD03-F504	230
Juvenile Justice Youth Development	16.727	04-JD03-F504	<u>633</u>
Total Department of Justice			<u>\$ 4,210</u>
<u>Department of Labor:</u>			
<u>Iowa Workforce Development</u>			
WIA - Title I Adult	17.258	1-W-08-FR-0	\$ 126,228
WIA - Title I Youth	17.259	1-W-08-FR-0	72,478
WIA - Title I Dislocated Workers	17.260	1-W-08-FR-0	110,606
IWD - Navigator	17.266	1-W-08-FR-0	<u>13,558</u>
Total Department of Labor			<u>\$ 322,870</u>
<u>Department of Transportation:</u>			
Capital Assistance	20.509	18-4025-120-05	\$ 254,138
Section III/Capital	20.500	03-0098-120-03	207,730
Section III/Capital	20.500	03-0103-120-04	109,996
Section 18/Capital	20.500	03-0104-120-05	179,803
Section 18/Capital	20.509	18-0025-120-04	31,190
Regional Planning Affiliation	20.515	REG STP-#07920	64,097
Regional Planning Affiliation	20.515	FTA #07920	<u>18,397</u>
Total Department of Transportation			<u>\$ 865,351</u>
<u>Department of Mediation and Conciliation Service</u>			
<u>Iowa Workforce Development</u>			
Re employment	34.002	1-W-08-FR-0	<u>\$ 1,793</u>
<u>Department of Health &amp; Human Services:</u>			
Childhood Lead Poisoning Prevention	93.197	Order # 60-61KZ	\$ 350
Early Childhood	93.575	04-05EMP-30	214
<u>Iowa Workforce Development</u>			
Promise Jobs	93.558	1-W-08-FR-0	<u>113,267</u>
Total Department of Health & Human Services			<u>\$ 113,831</u>
<u>Department of Housing &amp; Urban Development</u>			
<u>Iowa Department of Economic Development</u>			
<u>Subrecipient of Cities</u>			
Community Development Block Grant	14.228		\$ 381,635
Home	14.239		<u>367,634</u>
Total Department of Housing & Urban Development			<u>\$ 749,269</u>
<u>Federal Emergency Management Agency</u>			
<u>Iowa Homeland Security &amp; Emergency Management Division</u>			
Hazard Mitigation Plans	83.548		<u>\$ 46,960</u>

See accompanying Independent Auditor's Report.

SCHEDULE OF REVENUE AND EXPENSES FOR COMPLETED CONTRACTS

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF REVENUES AND EXPENSES  
 COMPLETED CONTRACT - WORKFORCE DEVELOPMENT PROGRAMS  
 AGREEMENT NUMBER 1-W-08-FR-0  
 July 1, 2004 through June 30, 2006

	WORKFORCE INVESTMENT ACT - TITLE I				
	<u>Admin.</u>	<u>Adult</u>	<u>Youth</u>	<u>Dislocated Worker</u>	<u>Adult Incentive</u>
Revenues:					
Governmental Funding Sources:					
Iowa Workforce Development	\$ <u>24,897</u>	\$ <u>47,122</u>	\$ <u>63,137</u>	\$ <u>113,824</u>	\$ <u>62,246</u>
Expenses:					
Salaries & wages	12,188	12,441	32,119	32,251	33,545
Employee benefits	2,990	3,920	9,854	9,738	9,385
Advertising & marketing	7	10	0	0	11
Accounting & legal	49	0	0	0	0
Insurance	360	478	932	1,137	858
Contracted services	9	0	3	4	3
Fees, dues & subscriptions	668	5	14	15	25
Postage	201	165	358	375	318
Printing	13	3	9	12	21
Rent	789	517	1,332	1,315	1,695
Telephone	210	140	369	363	459
Travel	4,549	948	2,407	2,479	2,253
Utilities	76	19	57	59	538
Office expense	951	289	756	555	1,449
Equipment maintenance	117	30	102	138	67
Equipment rental	246	478	1,434	860	723
Facility maintenance	35	14	45	28	492
Board expense	1,294	0	0	0	101
Registration fee	145	63	292	301	86
Participant support	<u>0</u>	<u>27,602</u>	<u>13,054</u>	<u>64,194</u>	<u>10,217</u>
Total expenses	<u>24,897</u>	<u>47,122</u>	<u>63,137</u>	<u>113,824</u>	<u>62,246</u>
Net	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

See accompanying Independent Auditor's Report.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF REVENUES AND EXPENSES  
COMPLETED CONTRACT - LOCAL HOUSING ASSISTANCE PROGRAM  
ACQUISITION/DEMOLITION/NEW CONSTRUCTION  
Program Period January 19, 2001 through July 31, 2005

	Grant # <u>01-LHAP-025</u>
Revenues:	
Funding Sources:	
Iowa Dept. of Economic Development	\$ <u>175,000</u>
Total Revenues	<u>175,000</u>
Expenses:	
Participant loans & grants	<u>175,000</u>
Total expenses	<u>175,000</u>
Net	\$ <u><u>0</u></u>

See accompanying Independent Auditor's Report.

Schedule 20

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF REVENUES AND EXPENSES  
JUVENILE JUSTICE YOUTH DEVELOPMENT PROGRAM  
COMPLETED CONTRACT NO. 04-JD03-F504  
October 1, 2004 through September 30, 2005

	<u>Prevention</u>	<u>Sanction</u>	Enforcing Under Age Drinking <u>Laws</u>
Revenues:			
Governmental Funding Sources:			
Division of Criminal and Juvenile Justice Planning	\$ <u>3,797</u>	\$ <u>10,081</u>	\$ <u>4,398</u>
Expenses:			
Contracted services	<u>3,797</u>	<u>10,081</u>	<u>4,398</u>
Total expenses	<u>3,797</u>	<u>10,081</u>	<u>4,398</u>
Net	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>    0</u>

See accompanying Independent Auditor's Report.



# John D. Morrow

Certified Public Accountant

**Member  
Iowa  
Society**

Certified Public Accountants

**P O Box 400  
109 Main Street  
Wall Lake, Iowa 51466-0400**

**413 Ash Ave.  
Ames, Iowa 50014**

**Phone: (712) 664-2891  
FAX: (712) 664-2717  
Cell: (712) 830-3121  
Email: [morrowjd@netins.net](mailto:morrowjd@netins.net)**

December 6, 2006

## RTS CERTIFICATION BY INDEPENDENT AUDITOR

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

I have audited the contracting opportunities and Disadvantaged Business Enterprise and Women Business Enterprise participation summary of Region XII Council of Governments, Inc. (Transit System). My audit of the report details included tests of accounting records, purchase orders, and contracts issued to Disadvantaged Business Enterprise and Women Business Enterprise firms as we considered necessary to verify that the information reported corresponds with the transit system's financial statements and other official documentation. It was not within the scope of my audit to make any assurances about the eligibility of any firm to be certified as a Disadvantage Business Enterprise or Women Business Enterprise, since the Iowa Department of Transportation assumes this responsibility. Tests were conducted to assure that this information fairly reflects the transit system's efforts to comply with Section 105(f) and Subpart D of the Surface Transportation Assistance Act of 1982.

The tests of accounting records and inquiries with management indicated that effort is made to identify Disadvantaged Business Enterprises and Women Business Enterprise. Management has procedures which identify current vendors as eligible to be certified as a Disadvantaged Business Enterprise and Women Business Enterprise.

# John D. Morrow

Certified Public Accountant

Member  
Iowa  
Society

P O Box 400  
109 Main Street  
Wall Lake, Iowa 51466-0400

413 Ash Ave.  
Ames, Iowa 50014

Phone: (712) 664-2891  
FAX: (712) 664-2717  
Cell: (712) 830-3121  
Email: [morrowjd@netins.net](mailto:morrowjd@netins.net)

Certified Public Accountants

December 6, 2006

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

I have audited the combined financial statements of Region XII Council of Governments, Inc. (COG), its wholly controlled affiliated organizations, Council of Governments Housing, Inc. and Region XII Development Corporation, Inc., Carroll, Ia, as of and for the years ended June 30, 2006 and 2005, and have issued my report thereon dated December 6, 2006. I conducted the audit in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the COG's financial statements are free of material misstatement, I performed tests of the COG's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the COG's operations for the years ended June 30, 2006 and 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the combined financial statements of the COG. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Region XII Council of Governments Inc., its wholly controlled affiliated organizations, Council of Governments Housing, Inc., and Region XII Development Corporation, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the COG's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions, if any, are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Independent Auditor's Report  
on Compliance and on Internal  
Control Over Financial Reporting  
December 6, 2006  
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report is intended solely for the information of Region XII Council of Governments, Inc., its wholly controlled affiliated organizations, Council of Governments Housing, Inc., and Region XII Development Corporation, Inc., and other parties to whom the COG may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Region XII Council of Governments during the course of the audit.

Should you have any question concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

# John D. Morrow

Certified Public Accountant

Member  
Iowa  
Society

P O Box 400  
109 Main Street  
Wall Lake, Iowa 51466-0400

413 Ash Ave.  
Ames, Iowa 50014

Phone: (712) 664-2891  
FAX: (712) 664-2717  
Cell: (712) 830-3121  
Email: [morrowjd@netins.net](mailto:morrowjd@netins.net)

Certified Public Accountants

December 6, 2006

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

I have audited the compliance of Region XII Council of Governments, Inc. (COG), its wholly controlled affiliated organizations, Council of Governments Housing, Inc. and Region XII Development Corporation, Inc., Carroll, Ia, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2005. The COG's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the COG's management. My responsibility is to express an opinion on the COG's compliance based on my audit.

I conducted my audit of compliance in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the COG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on compliance with those requirements.

In my opinion Region XII Council of Governments, Inc., its wholly controlled affiliated organizations, Council of Governments Housing, Inc. and Region XII Development Corporation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2005. Instances of non-compliance with those requirements, if any, are described in Part III of the accompanying Schedule of Findings and Questioned Costs

Internal Control Over Compliance

The management of the COG is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Region XII Council of Governments, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report is intended solely for the information of Region XII Council of Governments, Inc., its wholly controlled affiliated organizations, Council of Governments Housing, Inc., and Region XII Development Corporation, Inc., and other parties to whom the COG may report. This report is not intended to be and should not be used by anyone other than these specified parties.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified not considered to be material weaknesses?	No matters were reported
Noncompliance material to financial statements noted?	No matters were reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified not considered to be material weaknesses?	No matters were reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133. Section .510(a)?	No matters were reported
Identification of major programs:	
Department of Transportation	20.509
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 500,000
Auditee qualified as low risk.	

Part II: Findings relating to the financial statements which are required to be reported in accordance with Governmental Auditing Standards.

No matters were reported

Part III: Findings and questioned costs for Federal Awards which shall include audit findings as defined in OMB Circular A-133.

No matters were reported